



**Interim report for the 2<sup>nd</sup> quarter  
of the financial year 2002/2003**

January 1, 2003 to March 31, 2003

**and**

**for 6 months 2002/2003**

October 1, 2002 to March 31, 2003

**Key figures**

for the period from October 1 to March 31, 2003 and 2002

	6 months report		
	2002/2003	2001/2002	change
<b>Earnings data</b>			
<b>Total net sales</b>	<b>38,366</b>	<b>38,590</b>	<b>-0.58%</b>
analytical solutions	9,721	10,097	-3.72%
bioanalytical solutions	2,275	1,709	33.12%
project solutions	24,204	24,635	-1.75%
manufacturing	2,166	2,149	0.79%
Germany	20,039	26,851	-25.37%
Europe	12,968	8,617	50.49%
America	1,075	810	32.71%
Asia	2,589	1,767	46.52%
Other countries	1,695	545	211.01%
<b>Export ratio</b>	<b>47.8%</b>	<b>30.4%</b>	
Gross profit	10,202	10,193	0.09%
<b>Gross margin</b>	<b>26.59%</b>	<b>26.41%</b>	
EBITDA	1,356	1,997	-32.10%
<b>EBITDA to sales ratio</b>	<b>3.53%</b>	<b>5.17%</b>	
EBIT	308	1,133	-72.82%
<b>EBIT to sales ratio</b>	<b>0.80%</b>	<b>2.94%</b>	
EBT	39	1,099	-96.45%
<b>EBT to sales ratio</b>	<b>0.10%</b>	<b>2.85%</b>	
Net income for the period	58	622	-90.68%
Basic earnings per share	0.02	0.18	-88.89%
Diluted earnings per share	0.02	0.18	-88.89%
Average shares outstanding (basic)	3,822,483	3,457,408	
Average shares outstanding (diluted)	3,825,170	3,457,869	
<b>Financial data</b>			
Capital investment (gross)	967	5,627	-82.81%
Depreciation and amortization	1,048	864	21.30%
Personnel expenditure	7,065	7,960	-11.24%
Net cash flow	-1,721	8,006	
Cash and cash equivalents at the end of the period	3,116	14,360	-78.30%
<b>Balance sheet data</b>			
Shareholders' equity	31,277	28,791	8.63%
Balance sheet total	54,249	63,393	-14.42%
<b>Shareholders' equity ratio</b>	<b>57.65%</b>	<b>45.42%</b>	
<b>Supplementary</b>			
Research and development expenses (gross)	2,846	1,892	50.42%
Number of employees (at 03/31)	378	369	2.44%
Orders on hand	108,639	104,431	4.03%
Treasury stock	27,516	27,516	

All figures in Eu'000, with the exception of amounts per share and employees

## Letter to Shareholders



*Dear Shareholders, Ladies and Gentlemen,*

we can look back on the first half of the financial year with a certain degree of satisfaction. Indeed, we have succeeded in attaining our target for the period – a return to profitability. Our incisive measures aimed at reducing costs and improving margins, as initiated towards the end of 2002, have already achieved the desired effect.

Against the background of depressed markets and sluggish demand within Germany, it was essential for us to enhance our export activities in order to come close to the level of high-margin revenues generated by our equipment business in the same period a year ago.

The situation within our “project solutions” unit, which is currently our most successful line of business, was very different indeed. Irrespective of the prevailing economic and political malaise, our order books within this area are filled to the brim, registering a level of more than Eu100m. Furthermore, we have received firm financial commitments for large-scale projects to be implemented in the future, thus underlining the excellent position of our “project solutions” division.

The merger implemented at the beginning of the second quarter between AJ APS Technologies, Inc. and AJ USA, Inc., based in Houston/USA, was part of our Group-wide cost reduction program and has already borne fruit in terms of reining back administrative expenses.

In the period under review, the Company also stepped up its marketing activities for products launched onto the German market. Our mercury analyzer mercur<sup>®</sup>, for instance, has been well received within the marketplace. The out-and-out success of mercur<sup>®</sup> is highlighted by the Quality and Innovation Award we received at the international trade fair “Salud Para Todos” in Cuba.

The third General Meeting of Shareholders of Analytik Jena AG took place on March 20, 2003. The respective proposals put forward at the meeting were approved by a substantial majority of those present. I would like to take this opportunity to thank you for the trust you have placed in our Company.

Jena, May 2003

A handwritten signature in blue ink, appearing to read 'Klaus Berka'.

Klaus Berka

Chairman of the executive board

**Consolidated income statement**

for the period from October 1 to March 31, 2003 and 2002

	Quarterly report		6 months report	
	II/2003	II/2002	2003	2002
Total net sales	16,024	18,275	38,366	38,590
Cost of sales	10,960	12,733	28,164	28,397
<b>Gross profit</b>	<b>5,064</b>	<b>5,542</b>	<b>10,202</b>	<b>10,193</b>
<b>Operating income/expenses</b>				
Selling expenses	2,609	2,814	5,329	5,391
General administrative expenses	381	1,037	1,617	1,913
Research and development expenses	1,002	740	1,990	1,139
Goodwill amortization	-	6	-	12
Depreciation and amortization on property, plant and equipment and intangible assets	549	470	1,048	852
<b>Operating income</b>	<b>523</b>	<b>475</b>	<b>218</b>	<b>886</b>
<b>Other income/expenses</b>				
Interest income	2	207	98	269
Interest expenses	117	249	367	303
Other income	45	56	90	247
<b>Earnings before income taxes</b>	<b>453</b>	<b>489</b>	<b>39</b>	<b>1,099</b>
Income taxes	-15	-195	12	-448
Earnings before minority interest	438	294	51	651
Minority interest	3	18	7	-29
<b>Net income for the period</b>	<b>441</b>	<b>312</b>	<b>58</b>	<b>622</b>
<b>Basic earnings per share</b>	<b>0.12</b>	<b>0.09</b>	<b>0.02</b>	<b>0.18</b>
<b>Diluted earnings per share</b>	<b>0.12</b>	<b>0.09</b>	<b>0.02</b>	<b>0.18</b>
Average shares outstanding (basic)	3,822,483	3,457,408	3,822,483	3,457,408
Average shares outstanding (diluted)	3,825,170	3,457,869	3,825,170	3,457,869

All figures in Eu'000, except amounts per share

**Consolidated balance sheet**

as of March 31, 2003 and September 30, 2002

	03/31/2003	09/30/2002
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,116	4,837
Trade accounts receivable less bad allowances (QII 2002/2003: 42; 2001/2002: 116)	5,394	8,748
Inventories	9,406	9,859
Amount due on manufacturing orders with credit balance	11,156	8,791
Prepaid expenses and other current assets	4,557	2,911
<b>Total current assets</b>	<b>33,629</b>	<b>35,146</b>
Property, plant and equipment	9,901	10,599
Intangible assets	3,543	2,926
Investments in associates	66	66
Other financial assets	170	170
Goodwill	5,099	5,099
Deferred tax assets	1,841	1,622
<b>Total assets</b>	<b>54,249</b>	<b>55,628</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Short-term debt	195	66
Current portion of long-term financial debt	448	499
Trade accounts payable	7,274	8,785
Manufacturing orders with a debit balance	2,971	2,906
Deposits received from customers	160	381
Accrued liabilities	3,580	6,011
Other current liabilities	3,598	1,196
Deferred tax liabilities	1,363	1,156
<b>Total current liabilities</b>	<b>19,589</b>	<b>21,000</b>
Long-term financial debt less current maturities	1,392	2,148
Other liabilities	1,634	983
Pension obligations	357	333
<b>Total liabilities</b>	<b>22,972</b>	<b>24,464</b>
<b>Shareholders' equity</b>		
No-par value shares with a theoretical par value of Eu1.00 per share		
Authorized common stock: 5,100,000 shares; issued: 3,822,483 (2001/2002: 3,822,483)	3,850	3,850
Additional paid-in capital	25,634	25,634
Changes in shareholders' equity not resulting from transactions with shareholders	88	33
Retained earnings	2,052	1,994
Less cost of treasury stock (QII 2002/2003: 27,516 shares; 2001/2002: 27,516 shares)	(347)	(347)
<b>Total shareholders' equity</b>	<b>31,277</b>	<b>31,164</b>
<b>Total liabilities and shareholders' equity</b>	<b>54,249</b>	<b>55,628</b>

All figures in Eu'000

**Consolidated cash flow statement**

for the period from October 1 to March 31, 2003 and 2002

	6-months report	
	2003	2002
<b>Cash flows from operating activities</b>		
Net income for the period before income tax and after minority interest	46	1,070
Net income for the period after taxes	58	622
<b>Reconciliation of net income to net cash provided by/(used in) operating activities</b>		
Amortization of intangible assets and depreciation of property, plant and equipment	1,048	864
Changes in bad debt allowances	(74)	25
Changes in deferred taxes	(12)	448
Loss from other financial assets	-	(3)
<b>Changes in assets and liabilities</b>		
Decrease in trade accounts receivable	3,428	7,931
Changes in inventory	453	(434)
Decrease in other assets	(3,891)	(8,281)
Decrease in trade accounts payable	(1,511)	(3,746)
Increase in accrued liabilities and other liabilities	374	13,197
<b>Net cash provided by/(used in) operating activities</b>	<b>(127)</b>	<b>10,623</b>
<b>Cash flows from investing activities</b>		
Purchase of securities	-	(29)
Purchase of intangible assets and property, plant and equipment	(1,193)	(2,530)
Receipts of investment grants	-	97
Acquisition of investment in associates	-	(266)
Acquisition of majority interests less acquired cash and cash equivalents	-	(1,139)
Proceeds from disposal of intangible assets and property, plant and equipment	226	-
Proceeds from disposal of other financial assets and securities	-	23
<b>Net cash used in investing activities</b>	<b>(967)</b>	<b>(3,844)</b>
<b>Cash flows from financing activities</b>		
Increase in short-term loans	129	79
Proceeds from long-term financial debt	-	4,041
Redemptions of long-term financial debt	(756)	(2,893)
<b>Net cash provided by/(used in) financing activities</b>	<b>(627)</b>	<b>1,227</b>
<b>Cash and cash equivalents</b>		
Net increase/(decrease) in cash and cash equivalents	(1,721)	8,006
Effects from foreign exchange rates	-	(9)
Cash and cash equivalents at the beginning of the financial year	4,837	6,363
<b>Cash and cash equivalents at the end of the period</b>	<b>3,116</b>	<b>14,360</b>

All figures in Eu'000

**Consolidated statement of changes in shareholders' equity**

as of March 31, 2003

	Total shareholders' equity	Changes in shareholders' equity	Profit reserves and retained earnings surplus	Unrealized profits from securities	Currency translation differences due to consolidation	Changes in additional paid-in capital	Subscribed capital	Transactions in treasury stock	Issued of no-par value shares
<b>Balance at October 1, 2001</b>	<b>27,659</b>		<b>2,871</b>	-	-	<b>22,138</b>	<b>3,500</b>	<b>(850)</b>	<b>3,439,888</b>
<b>Changes in shareholders' equity</b>									
Net loss for the year	(877)	(877)	(877)	-	-	-	-	-	-
Changes in shareholders' equity not resulting from transactions with shareholders	33	33	-	-	33	-	-	-	-
<b>Comprehensive income</b>	<b>(844)</b>	<b>(844)</b>							
Use of treasury stock	503	503	-					503	32,596
Capital increase	3,846	3,846				3,496	350		349,999
<b>Total changes in shareholders' equity</b>		<b>3,505</b>							
<b>Balance at September 30, 2002</b>	<b>31,164</b>		<b>1,994</b>	-	33	<b>25,634</b>	<b>3,850</b>	<b>(347)</b>	<b>3,822,483</b>
<b>Changes in shareholders' equity</b>									
Net loss for the period	58	58	58	-	-	-	-	-	-
Changes in shareholders' equity not resulting from transactions with shareholders	55	55	-	-	55	-	-	-	-
<b>Comprehensive income</b>	<b>113</b>	<b>113</b>							
Use of treasury stock			-						
Capital increase	-								
<b>Total changes in shareholders' equity</b>		<b>113</b>							
<b>Balance at March 31, 2003</b>	<b>31,277</b>		<b>2,052</b>	-	88	<b>25,634</b>	<b>3,850</b>	<b>(347)</b>	<b>3,822,483</b>

All figures in Eu'000, with the exception of figures related to shares

## **Report on the first six months of the financial year 2002/2003**

For the period from October 1, 2002 to March 31, 2003

### **Operating and financial review as well as notes on Structured Quarterly Report (SQR)**

#### **BASES FOR CONSOLIDATED FINANCIAL STATEMENTS**

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The quarterly report has been prepared in accordance with United States generally accepted accounting principles for interim reporting, as well as principles established by Deutsche Börse regarding Structured Quarterly Reports (SQR). This interim report is to be viewed in conjunction with the audited consolidated financial statements as of September 30, 2002.

All amounts stated within the consolidated financial statements – except the information on the share – are given in thousands of euros ("Eu'000") or in millions ("Eum").

The financial year of Analytik Jena differs from the calendar year; it covers the period from October 1 to September 30.

#### **Scope of Consolidation**

The scope of full consolidation includes Analytik Jena AG as the parent company and all subsidiaries in which Analytik Jena AG holds a direct or indirect majority interest. The increase, compared to the previous year (Oct. 1, 2001 – Mar. 31, 2002), in the number of subsidiaries subject to full consolidation is due to the inclusion of the French enterprise Perichrom s.a.r.l.

## GROUP MANAGEMENT REPORT

### Development of Group sales

In the first half of financial year 2002/2003, the Group generated revenues of Eu38.366m. Thus, total sales generated by Analytik Jena AG were comparable to the figure posted in the same period a year ago (previous year: Eu38.590m). Consolidated sales for the period from January to March were 12.3% lower than in the same period a year ago. Despite the weak economic climate and the prevailing tentativeness as regards capital expenditure within the markets served by the Analytik Jena AG, based on current figures the Company has maintained its revenue target of around Eu80m for financial year 2002/2003.

### Sales by business unit

Consolidated sales by business unit in Eum

Business Unit	Quarter II		Change	6 months report		Change
	01/01/2003 - 03/31/2003	01/01/2002 - 03/31/2002		10/01/2002 - 03/31/2003	10/01/2001 - 03/31/2002	
analytical solutions	4.709	4.005	17.6%	9.721	10.097	-3.7%
bioanalytical solutions	0.978	1.078	-9.3%	2.275	1.709	33.1%
project solutions	9.292	12.123	-23.4%	24.204	24.635	-1.7%
manu- facturing	1.045	1.069	-2.2%	2.166	2.149	0.8%
Total	16.024	18.275	-12.3%	38.366	38.590	-0.6%

Sales generated by the business units in the first half of the financial year were comparable to the previous year's figures, thus underlining the current economic malaise. The business unit "bioanalytical solutions" proved to be an exception. Within this unit, we were able to increase sales revenues by 33.1% to an overall figure of Eu2.275m for the period under review (previous year: Eu1.709m).

### Sales by region

Consolidated sales by region in Eum

Regions	Quarter II		Change	6 months report		Change
	01/01/2003 - 03/31/2003	01/01/2002 - 03/31/2002		10/01/2002 - 03/31/2003	10/01/2001 - 03/31/2002	
Germany	5.855	8.984	-34.8%	20.039	26.851	-25.4%
Europe	6.977	7.308	4.5%	12.968	8.617	50.5%
America	0.388	0.620	-37.4%	1.075	0.810	32.7%
Asia	1.440	1.123	28.2%	2.589	1.767	46.5%
Others	1.364	0.240	468.3%	1.695	0.545	211.0%
Total	16.024	18.275	-12.3%	38.366	38.590	-0.6%

The Company expanded its international business activities in the first six months of the financial year by 56.1%, thus generating Eu18.327m towards overall sales. As of March 31, 2003 the Group export ratio was 47.8% (previous year: 30.4%).

Within this context, the Company recorded its most substantial increase in Europe (excluding Germany). Buoyed mainly by the success of project activities in Eastern Europe, we managed to propel revenues generated in this region by 50.5% to Eu12.968m.

Whereas the Asian market remained relatively stable, sales within in America suffered a setback in the period under review. This was largely due to the level of volatility witnessed in the US.

## Gross profit

### Gross profit in Eum

	Quarter II		Change	6 months report		Change
	01/01/2003 - 03/31/2003	01/01/2002 - 03/31/2002		10/01/2002 - 03/31/2003	10/01/2001 - 03/31/2002	
Gross profit	5.064	5.542	-8.6%	10.202	10.193	0.1%

Registering a figure of Eu10.202m, gross profit for the first six months of the financial year developed in line with our performance in the previous year. The gross margin for the first half stood at 26.6% (previous year: 26.4%). In view of the relatively low weighting of our low-margin business unit "project solutions", the gross margin for the second quarter showed an improvement and currently stands at 31.6%.

## Selling and administrative

### Selling and administrative expenses in Eum

	Quarter II		Change	6 months report		Change
	01/01/2003 - 03/31/2003	01/01/2002 - 03/31/2002		10/01/2002 - 03/31/2003	10/01/2001 - 03/31/2002	
Selling expenses	2.609	2.814	-7.3%	5.329	5.391	-1.2%
Admin. expenses	0.381	1.037	-63.3%	1.617	1.913	-15.5%

Supported by cost reduction measures implemented at the beginning of the financial year, we succeeded in substantially reducing selling and administrative expenses in the period under review. In particular, the Company was able to accelerate foreign sales revenue while at the same time reining back spending on marketing and sales activities.

## Research and development

### Research and development expenses in Eum

	Quarter II		Change	6 months report		Change
	01/01/2003 - 03/31/2003	01/01/2002 - 03/31/2002		10/01/2002 - 03/31/2003	10/01/2001 - 03/31/2002	
R&D costs	1.002	0.740	35.4%	1.990	1.139	74.7%

The Company invested around two million euros in research and development in the first six months of the financial year. The 74.7% year-on-year increase in R&D costs in the first half was mainly due to the full inclusion of the research enterprise AJ Überlingen in the Group's consolidated accounts. Calculated on the basis of the relevant business units "analytical solutions" and "bioanalytical solutions", Analytik Jena AG utilized around 16.6% of its equipment sales for research and development in the first six months of the current financial year (previous year: 9.7%). Ongoing technological advance and fast-track innovation are essential when it comes to maintaining a sustainable competitive advantage within the international arena and satisfying the needs of customers worldwide. Therefore, we remain committed to research and development, even during periods of economic slowdown.

## Earnings performance

### Consolidated income in Eum (EPS in euros)

	Quarter II		Change	6 months report		Change
	01/01/2003 - 03/31/2003	01/01/2002 - 03/31/2002		10/01/2002 - 03/31/2003	10/01/2001 - 03/31/2002	
EBITDA	1.117	0.987	13.2%	1.356	1.997	-32.1%
EBIT	0.568	0.526	8.0%	0.308	1.133	-72.8%
EBT	0.453	0.489	-7.4%	0.039	1.099	-96.5%
Net income	0.441	0.312	41.3%	0.058	0.622	-90.7%
EPS	0.12	0.09	33.3%	0.02	0.18	-88.9%

Consolidated operating income for the period under review was above par, despite the decline in sales revenue. Net income for the second quarter rose by 41.3% year on year to Eu0.441m. As a result, earnings per share (EPS) increased from Eu0.09 to Eu0.12. Whereas Analytik Jena AG posted a loss at the beginning of the financial year, the accumulated figures for the two quarters reveal a balanced result. EPS for the period from October 2002 to March 2003 amounted to Eu0.02. Return to profitability is due not only to the more stable inflow of revenues compared with the previous financial year but also to our incisive cost reduction program initiated towards the end of 2002.

## ADDITIONAL INFORMATION

### Cash and cash equivalents

At the end of the period under review, cash and cash equivalents stood at Eu3.116m (as of September 30, 2002: Eu4.837m). The above-mentioned decline is attributable to our project-related business: Analytik Jena AG's initial outlay for major international projects is substantial. Therefore, the level of cash and cash equivalents depends to a large extent on the degree of completion of a specific project and fluctuates considerably in the course of a financial year.

### Level of orders on hand

At the end of the first half, orders on hand within the Group were worth Eu108.639m (previous year: Eu104.431m).

### Human resources

As of March 31, 2003, the Group employed 378 members of staff in total (previous year: 369 employees). The increase in number of staff levels is mainly due to the consolidation of AJ Überlingen GmbH. In contrast, staffing levels were reduced at Analytik Jena AG and other subsidiaries within the Group. Since the beginning of financial year 2002/2003, we cut 25 jobs as part of our cost reduction program for the Group.

### Treasury stock

No further company shares (known as "treasury stock") were purchased in the second quarter of the current financial year. As of March 31, 2003, Analytik Jena held 27,516 shares as treasury stock.

### Directors' holdings

Directors' holdings – shares and stock options held by the executive board and the supervisory board

At March 31, 2003, the members of the executive board held 1,464,500 shares as well as 48,500 options on shares in Analytik Jena AG; these figures were unchanged compared with the previous year. The shareholding of members of the supervisory board at March 31, 2003, also remained unchanged at 5,832 shares.

Holdings as of March 31, 2003	Shares	Options
Executive board		
Klaus Berka	732,250	24,500
Jens Adomat	732,250	24,000
Supervisory board		
Alexander von Witzleben	2,083	---
Prof. Dr. Manfred Grün	1,666	---
Dr. Nikolaus Reinhuber	2,083	---

**Subsequent events**

There were no significant events or transactions after the balance sheet date of March 31, 2003, that materially affect the Company's state of affairs described as part of this interim report.

**OUTLOOK**

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Based on our original expectations, in the second half of financial year 2002/2003 incoming orders and sales within the area of “analytical solutions” and “bioanalytical solutions” should be similar to figures recorded in the preceding financial year. In view of the unfavorable economic climate, characterized by substantial cuts in public-sector spending of up to 50%, as well as the pronounced slowdown in capital expenditure in the private sector, the targets we have set ourselves pose a formidable challenge. From June 2003 onwards, we expect to see a marked improvement in the level of incoming orders, which will have a positive influence on the fourth quarter and the coming financial year.

As regards our “project solutions”, the third quarter is likely to see a slight downturn in the area of project implementation. However, we anticipate that business will accelerate again towards the end of the financial year.

The current economic climate and the sustained weakness of the US dollar are two of the main obstacles that will have to be overcome if we are to meet our targets. Management has forecast a weak third quarter and a more buoyant period of business in the fourth quarter. Based on the present situation, Analytik Jena maintains its overall forecast for the financial year, i.e. approx. Eu80m in sales revenues and income before taxes of at least Eu0.5m.

## COMPANY CALENDAR

Date	Event	Location
May 28	Publication of interim report for first six months	Jena
Aug. 27	Publication of interim report for the first nine months	Jena
Dec. 17	Announcement of preliminary results for financial year 2002/2003	Jena
Dec. 30	Publication of annual report 2002/2003	Frankfurt/Jena

\* These dates are subject to short-term rescheduling. The latest version of the company calendar can be accessed via the company website.

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